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SUBJECT: OIL AND GAS FROM THE EAST: ROMANIA'S PIPELINE  
PROJECTS

REF: 04 Bucharest 02676

SENSITIVE BUT UNCLASSIFIED - PROTECT ACCORDINGLY.

[11.](#) (SBU) SUMMARY: Romania's two energy pipeline priorities continue to be the Constanta-Pancevo-Omisalj-Trieste (CPOT) oil pipeline and Nabucco natural gas pipeline. The Romanian Ministry of Economy values the strategic diversification of energy sourcing that these pipelines would provide. END SUMMARY.

#### ROMANIA'S PIPELINE PRIORITIES

[12.](#) (U) EconOff met recently with Corneliu Condrea, Deputy General Director, Romanian Ministry of Economy and Commerce (MEC) to discuss oil and gas pipeline projects.

[13.](#) (SBU) Condrea informed post that Romania's main energy pipeline priorities are the Constanta-Pancevo-Omisalj-Trieste (CPOT) oil pipeline and the Nabucco project for transit of natural gas from Caspian Sea to Europe through Romania. Pipeline construction for Romania is potentially both strategic and lucrative. The GOR gives a high priority to pipeline projects as alternatives to the importation of Russian energy resources or oil resources from the Caspian region via the Turkish straits. Romania currently supplies approximately 50% of its crude oil and 75% of its natural gas consumption from domestic production. In the future, the Ministry predicts internal production of gas will decrease, and by 2010 Romania will import 50% of its natural gas. (Note: Condrea could be off on his estimates, given the U.S. and other foreign producers are actively reworking old fields with considerable success. End note)

#### CONSTANTA-PANCEVO-OMISALJ-TRIESTE (CPOT) OIL PIPELINE

[14.](#) (SBU) The CPOT pipeline is a major part of the Romanian energy strategy. Crossing Romania and passing through the Serbian town of Pancevo (near Belgrade), the 760 mile CPOT line would connect to an existing branch of the Adria pipeline which runs across Serbia, Montenegro, Bosnia and Herzegovina, and Croatia to the port of Omisalj. Capacity of the pipeline is estimated at a maximum of 90 million tons per year.

[15.](#) (U) In response to Croatia's environmental concerns regarding possible oil spills in the port of Omisalj, the only ship to shore operation will be at the Romanian port of Constanta. The pipeline will still pass through Omisalj, where it is to connect with the Trans Alpine Pipeline. The latter fuels Austria, Germany and oil refineries in northern Italy.

[16.](#) (U) The British firm Hill International presented the MEC an EU-financed technical-economic feasibility study in February for Romania's part in building the CPOT. This feasibility study complements an earlier one made by HLP-Parsons under a U.S. Trade and Development Agency (TDA) grant. The new study examines technical, financial, commercial and environmental parameters of the CPOT pipeline, as well as transportation and investment.

[17.](#) (U) Countries interested in CPOT have established an intergovernmental working group and created a project management consortium. The main challenge continues to be financing and finding interested investors in the CPOT project, which is estimated to cost \$ 1 billion. The Austrian OMV group, the main shareholder in Petrom, Romania's former state-owned oil company, has indicated an interest in building CPOT and met with MEC representatives to discuss the project.

#### NABUCCO NATURAL GAS PIPELINE

[18.](#) (SBU) The purpose of the Nabucco pipeline is transportation of natural gas from the Caspian Region and Central Asia through Turkey, Bulgaria, Romania, Hungary, and Austria for distribution in Europe. Partners in the Nabucco

International consortium are Transgaz (Romania), OMV (Austria), MOL (Hungary), Bulgargaz (Bulgaria), and Botas (Turkey). The total length of the pipeline would be approximately 2,112 miles, of which 310 miles will cross Romanian territory. The pipeline's estimated transit capacity is 30 billion cubic meters per year.

19. (SBU) In July 2004, the consortium signed an agreement with ABN AMRO bank, the consortium's financial advisor, to develop a financing strategy for the USD 5 billion project. Nabucco International has retained the London and Brussels law offices of Freshfields Bruckhaus Derringer as its international counsel. Subject to the availability of financing, work is scheduled to begin in 2006, with completion estimated for 2010. Romania's off-take from the pipeline is estimated at 5 billion cubic meters per year.

110. (SBU) Romania has already taken some initial steps to in anticipation of the Nabucco project, including:  
-- Development of an interconnecting pipeline between the Romanian and Hungarian natural gas transmission systems from Arad (Romania) to Szeged (Hungary), under an agreement between Transgaz and MOL. 37 miles of the pipeline will lie on Romanian territory (23 miles built to date) and 28 miles on Hungarian territory. The pipeline will have a capacity of 2 billion cubic meters (70.5 billion cubic feet) per year.

-- A feasibility study is in progress for an interconnection with Bulgaria from Bechet (Romania) to Koslodui (Bulgaria) and one is planned for a pipeline from Iasi (Romania) to Balti (Republic of Moldova).

#### NO LONG-TERM AGREEMENTS WITH RUSSIA

111. (SBU) Romanian officials stated Romania does not have any long-term contracts with Gazprom. Moreover, there will be no connection between CPOT and the Druzhba system. (NOTE: This is also a requirement in the European Energy Directive. End Note)

#### FUTURE CONFERENCE ON CPOT?

112. (U) As proposed by the MEC on previous occasions, the Ministry advanced the idea of an international conference to review the data in the feasibility study for the CPOT project and attract investors. It also mentioned it would invite HLP-Parsons Associates, who conducted the previous TDA financed study. However, MEC has announced no date. Since the Hill Associates feasibility study is limited to Romania and with similar feasibility studies yet to be accomplished for neighboring countries, holding such a conference appears premature.

#### USG POLICY CONVEYED ON IMPORT OF IRANIAN ENERGY

113. (U) EconOff stated the USG supports pipeline projects which provide access to Caspian energy sources and affirmed the U.S. position on pipelines is that that market forces should decide their placement. However, he added the caveat that the U.S. policy opposes projects that would provide export opportunities for Iranian energy resources. He noted that Presidential executive orders prohibit any U.S. companies and/or their foreign subsidiaries from conducting business with Iran, and bans any contract for financing of the development of petroleum resources located in Iran.

#### COMMENT

114. (SBU) Given that Nabucco and CPOT could provide excellent chances for U.S. business participation and afford useful diversification of energy sourcing for southeast Europe, Post will continue to monitor their planning. End comment.

115. (U) AmEmbassy Bucharest's reporting telegrams are available on the Bucharest SIPRNet website:  
[www.state.gov/p/eur/Bucharest/](http://www.state.gov/p/eur/Bucharest/).

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